ONTARIO LOTTERY CORPORATION

Annual Report
1986/87

Sept. 30, 1987
The Honourable Hugh P. O'Neil
Minister of Tourism and Recreation
77 Bloor St., West
Toronto, Ontario
M7A 2R9

Dear Mr. O'Neil:

Pursuant to the provisions of the Ontario Lottery Corporation Act, I am pleased to present the annual report of the Ontario Lottery Corporation for the year ending March 31, 1987.

Yours very truly,

Walter G. D. Stothers
Chairman of the Board

About the Ontario Lottery Corporation

The Ontario Lottery Corporation was established in 1975 to develop and manage provincial government lotteries.

Since then, in its capacity as a Crown corporation, it has generated more than $2 billion for the province of Ontario.

The Corporation operates six lotteries in Ontario: Wintario, Lottario, Instant (Ontario-only games), Provincial, Super Loto and Lotto 6/49 (interprovincial games).

Front Cover
Tracy Ferguson, a wheelchair athlete, enjoys the facilities at Variety Village in Scarborough, made possible in part with help from lottery profits.

Boardmembers

Walter G.D. Stothers, FCA,
Thornhill, chairman
(April 17, 1986 — Feb. 16, 1989)

Sandra McKinnon Jelley,
Toronto,
vice-chairperson
(June 2, 1986 — Feb. 16, 1989)

Anne B. Bender
Mississauga, director
(March 26, 1987 — Feb. 16, 1990)

Patrick W.E. Hodgson,
London, director
(March 26, 1987 — Feb. 16, 1988)

Chan Young Kang, LLB,
Willowdale, director
(June 2, 1986 — Feb. 16, 1989)

James David Mookiaw, MBA,
Toronto, director
(Feb. 26, 1987 — Feb. 16, 1990)

D. Norman Morris, CA,
Mississauga,
president

David Polowin,
Nepean, director
(Feb. 26, 1987 — Feb. 16, 1990)

Sandra Elizabeth Severs
Toronto, director
(Feb. 26, 1987 — Feb. 16, 1990)

1986/87 Senior Staff

Adam J. Hawkins,
executive vice-president

J. Michael Holroyde,
vice-president, Sales and Distribution

John MacNabb,
vice-president, Computer Services

Kathy Petrik,
vice-president, Corporate Communications

John Van Camp,
controller

C H A I R M A N ' S M E S S A G E

The 1986/87 fiscal year generated gross sales of $1.337 billion resulting in $458.7 million in net profits, 43 per cent higher than last year. It brought our 12-year profit total to over $2.1 billion, which has been turned over to the provincial government for distribution.

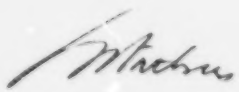
While the Corporation has completed its most successful year ever, it faces fundamental questions regarding the future.

Ontario, like other lottery jurisdictions across Canada, has reached a mature market phase. The rapid sales increases of the past may not be repeated in the future. Though players continue to support our games enthusiastically, if we are to maintain revenue in the future we must develop new programs to provide Ontarians with the lottery games they desire.

We have made several changes in order to continue to give our retailers and customers the best possible service. We have restructured our distribution system, expanded our on-line ticket terminal network and begun operation of a new state-of-the-art computer centre as part of this commitment.

The future also holds the relocation of our corporate headquarters to Sault Ste. Marie. Our move will, in a variety of ways, inject much needed economic stimulation into the city. We are pleased to see the Sault community welcome us so warmly.

We look forward to this and other corporate challenges with enthusiasm and a firm commitment to our goal of service to the people of Ontario.



Walter G.D. Stothers
Chairman of the Board

Ten Year Review-Operating Highlights ($Millions)

	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87
Sales	240.4	235.1	323.8	490.3	506.9	550.1	661.8	812.0	1,007.8	1,336.8
Commissions	24.2	22.5	28.3	41.2	41.4	44.1	50.3	60.6	75.4	100.2
Prizes	108.3	123.9	182.7	270.3	271.9	294.4	341.0	415.5	510.9	673.8
Total Operating Expenses	11.4	14.5	22.2	36.7	45.0	54.4	58.4	91.7	107.2	109.9
Interest	1.9	2.5	4.3	6.7	8.9	6.4	4.6	5.4	6.4	5.8
Net Profit	98.4	62.6*	92.8*	148.8	157.5	163.5	216.7	249.6	320.7	458.7
Number of Games	2	3	3	4	4	5	6	6	6	6

*After extraordinary expenses

P R E S I D E N T ' S R E P O R T

With gross ticket sales of $1.337 billion, Ontario's lotteries have continued their record-breaking history.

More people than ever are being entertained by lotteries, with 55 per cent of Ontario adults playing lotteries regularly.

This continuing support resulted in $673.8 million in prizes and $458.7 million in lottery profits.

Throughout the fiscal year we continued to monitor players' wants and needs to produce a variety of game innovations. We revamped Wintario, our original game. We offered players a choice of Instant games and we introduced Replay, allowing Lotto 6/49 players to play two consecutive draws at a time.

Despite escalating costs in both ticket printing and telecommunications, the Corporation improved its operating efficiency by more than two per cent, reducing operating expenses (less interest income) to 7.8 per cent of gross sales from 10.0 per cent recorded in the last fiscal year. Ensuring the cost effectiveness of the Corporation's operations will remain an on-going priority.

Plans are already being formulated to move our headquarters from Toronto to Sault Ste. Marie in late 1989 or early 1990. We will be recruiting staff in Sault Ste. Marie who will be trained in Toronto for return to the Sault. One such program already in place has established trainee positions for computer science graduates from Sault College and Algoma University. In addition, policies are being drawn up to ensure all staff, those who relocate to Sault Ste. Marie and those who are unable to move, are fairly treated.

Thanks must go to those people who make Ontario's lotteries happen ... our board of directors, our distributors, 250 employees and our 11,500 retailers province-wide. To them I extend the gratitude of the Corporation for a job well done.

Our strongest thanks go to our dedicated players, who for the last dozen years have enthusiastically supported their lotteries. To you we repeat our pledge of responsible, secure and efficient lottery administration to ensure the on-going contribution of lotteries to Ontario.

D. Norman Morris
President

Million
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Super Loto
31 August/août 1986
14 Sept./sept. 1986
3793187
04 6010 078 5438
Instant

YEAR IN REVIEW

Top photo:
Wintario hosts Faye Dance and Greg Beresford helped celebrate the game's 500th draw, March 12, 1987.

Bottom photo:
For his outstanding contribution to Ontario's lottery industry, Bob Simpson, of Powassan, was named OLC's distributor of the year in January 1987.

Photo left:
The Metro Toronto Convention Centre was the scene of the hugely successful Lucky Millions Sweeps draw Dec. 11, 1986. Fifty-one finalists vied for the $1 million top prize.

With more sales, more prize money and more profits than ever before, fiscal 1986/87 was truly another winning year for the people of Ontario.

Lotto 6/49, the very popular on-line game, and the Instant or scratch and win game, dominated the lottery sales scene.

Run jointly with other Canadian provinces through the Interprovincial Lottery Corporation, Lotto 6/49 recorded sales of $633.8 million in Ontario. Fuelled by public interest in multi-million dollar jackpots, sales rose 65 per cent from 1985/86, accounting for $266.4 million of our total profits. The game also generated the third largest Jackpot in Canadian history, $11 million, claimed in October 1986.

Instant game sales increased $88 million, finishing the fiscal year with a $283 million total. This rise was partly the result of offering players a choice of several Instant games at one time. Live million dollar sweepstakes draws, featured on two versions of the game during this year, enhanced player participation.

Wintario, the game that started it all 12 years ago, bounced back in 1986/87. A revamped prize structure with an instant-win feature helped boost sales to $171.5 million this year, up more than $30 million from 1985/86. Canada's only travelling lottery show, Wintario offered two successful four-week Instant Cars 'n' Cash bonus promotions during the year, with a total of $4.8 million in bonus prizes available. Wintario reached its 500th draw milestone on March 12. At that time, Wintario had generated over $550 million in profits and over 94 million prizes for the people of Ontario.

During 1986/87, Provincial, the original interprovincial game, celebrated a decade of operation. The game marked its 10th anniversary with a bonus draw offering over $5 million in extra prizes. Total sales for the year were $47.5 million.

Lottario, Ontario's own on-line game, recorded sales of $161 million, down $36 million from the preceding year. This game continues to reflect the impact of Lotto 6/49's larger jackpots and twice-weekly format.

Super Loto, the third interprovincial game, moved to an every-second-Sunday format in May 1986, with tickets eligible for two consecutive draws. Bonus draws offered 500 Cadillacs during July and August and 500 Lincoln Town cars during January and February. Gross sales for the year were $40 million.

Responding to public demand, the Corporation introduced the Replay feature to Lotto 6/49 allowing customers to play two consecutive draws.

Ontarians saw their lotteries at work through the travelling Wintario draw, our information display and our speaker's bureau.

To improve service to our customers and meet our future computer demands, we put a new multi-million dollar data centre into operation. Our old computer centre now serves as a backup site ensuring continued availability of our on-line games in the event of a system failure at the new facility.

And the announcement of the Corporation's relocation to Sault Ste. Marie in late 1989 charts a new direction for us. The Corporation has a major role to play in the government's northern initiatives program which will assist resource-based economies plan for the future.

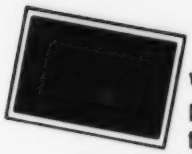
Wanted a car
but he settles
for $1 million

W I N N E R S

Top photo:
Michael Niganiwina of Iron Bridge waved his hat as he drove off in the MG replica car he won in Wintario's 1986 summer bonus.

Bottom photo:
Evelyn Picken of Toronto let OLC's Quick Pick computer choose her numbers for the May 24, 1986 Lottario draw. It was a wise choice. She won $1..7 million.

Photo left:
Nurani and Mohamed Samji of Bramalea won the year's largest prize, just over $11 million in Lotto 6/49.



very minute of every day, over 100 people win a lottery prize ... everything from a free ticket to multi-million dollar jackpots. Each one of them enjoys the thrill of winning.

During the 1986/87 fiscal year the Ontario Lottery Corporation offered 80 million prizes worth a total of $673.8 million. It brought our 12-year total to 280 million prizes worth $3.3 billion.

The year's largest prize, just over $11 million in the Oct. 1, 1986 Lotto 6/49, went to Nurani and Mohamed Samji. It was a sharp turn in luck for the Bramalea couple for they had seen their brand new home burn to the ground just two months earlier. Their prize was the third largest in Canadian lottery history.

Lotteries know no bounds of gender, income bracket or age. Eight out of 10 people have played lotteries and every type of person wins. There were young winners, like Larry Damphouse, 23, of Windsor, who walked away with $1 million in Lucky Million Sweeps. And there were senior citizen winners like Evelyn Picken whose Quick Pick Lottario ticket won her $1.7 million on May 24, 1986.

Larry planned to use part of his winnings to pay off his parents' mortgage and send his grandparents on a trip around the world. Evelyn, in her late 70s, said she wanted to take the Concorde Supersonic jet to visit relatives in England and renovate her Toronto home.

And then there are the "super lucky" who win more than one major prize. Henry Tilbury of Sudbury is one of those people. The 51-year-old businessman won a $10,000 instant bonus prize in Provincial in September 1986, only to win $717 the next day in Lottario. Just days later he bought four more Provincial tickets and won another $10,000 instant bonus. These windfalls were in addition to Mr. Tilbury's $100,000 win in the April 4, 1985 Wintario.

"I don't really know where my luck comes from," he told the media, "but I am superstitious. I have a four-leaf clover and I wear a gold horseshoe pendant on a chain around my neck."

An on-going review of our winners continues to show that those who win lotteries are very sensible. A survey of 699 recipients of $100,000 or more showed that only 7.2 per cent gave up their jobs. Even among those who won $1 million or more, 67.6 per cent kept working.

Most winners bank or invest their money (80.1%), 28.9 per cent buy a new home or pay off their mortgage, 30.1 per cent buy a new vehicle, 25.8 per cent take a vacation and 47.5 per cent share winnings with family and charities.

Another myth shattered by our survey is that winners find requests for donations a problem. Only 2.8 per cent reported problems with being solicited for donations and 91.3 per cent said they were treated fairly by the news media.

But lottery winners don't always get the prize they're after ... sometimes they do better! Holger Fischer, 61, of Toronto is one of those winners. He hoped to win a brand new Cadillac sedan de ville in the August 1986 Super Loto instant scratch bonus. He didn't win a car, but don't feel sorry for him. Instead he collected the $1 million top prize!

	Gross sales	*$171.5 million*
	Net profit	*$ 19.1 million*
	Gross sales	*$161.0 million*
	Net profit	*$ 56.8 million*
Instant	*Gross sales*	*$283.0 million*
	Net profit	*$ 90.3 million*
	Ontario gross sales	*$ 47.5 million*
	Ontario net proceeds	*$ 16.1 million*
Super Loto	*Ontario gross sales*	*$ 40.0 million*
	Ontario net proceeds	*$ 10.0 million*
649	*Ontario gross sales*	*$633.8 million*
	Ontario net proceeds	*$266.4 million*

Province awards
research grants
Dec. 26, 1986
LOTTO
6/49
1987
1987
1987
1987
1987
1987
ILLET GRATUIT

G R A N T S

Top photo:
With the help of lottery grants, cultural organizations like the Canadian Opera Company are enriching life in Ontario.

Bottom photo:
Since 1975, Ontario lotteries have assisted a wide variety of sports and recreation projects.

Photo left:
At the University of Toronto Dr. Maire Percy, assistant professor and Martin Somerville, a PhD student, are part of a lottery-funded project studying the causes of Alzheimer's Disease.

OGETHER WE'RE MAKING GOOD THINGS HAPPEN ... When it comes to Ontarians and their lotteries, truer words were never spoken. And the evidence is everywhere.

Residents of a small town gather for the opening of their brand new recreation centre. Lottery dollars added to the funds raised by the community.

A local hospital has the government funding needed to build a new chronic care wing. Lotteries helped.

The curtain goes up at a magnificently restored theatre. The audience applauds both the actors and the restoration, made possible, in part, by lotteries.

Lottery grants have touched the lives of people in every corner of the province. Athletes, service clubs, the elderly, universities, the mentally handicapped and others have all been the beneficiaries of lottery dollars.

This fiscal year, total profits from Ontario lotteries since 1975 broke the $2 billion mark, thanks to over $458.7 million raised during 1986/87.

Lottery profits are paid into the province's Consolidated Revenue Fund and distributed by the government to a wide variety of important projects and programs.

Lottery profits from Ontario-only games (Wintario, Lottario and Instant) support physical fitness, sports, culture and recreation. Profits from Provincial, Super Loto and Lotto 6/49 (interprovincial games) are used for health and environmentally-related health research, hospital building and equipment, senior citizen housing, the Trillium Foundation and other emerging priorities.

This year, the Ministry of Tourism and Recreation directed $45.6 million in lottery-based grants to communities and organizations. These funds helped build, renovate or update fitness facilities across the province. Other programs, like Best Ever Ontario, supported the training and development of Ontario's top amateur athletes. Lottery dollars also assisted sports groups host or travel to major athletic competitions, train coaches and increase sports participation among women, seniors, the disabled and young people.

$82.2 million in grants for arts, heritage, library and citizenship was distributed through the Ministry of Citizenship and Culture. Recipients include the Shaw Festival in historic Niagara-on-the-Lake and the McMichael Canadian Collection in Kleinburg.

Through the ministries of Health and Community and Social Services, tens of millions of lottery dollars were pumped back into the province.

Health ministry projects included chronic care facilities and health research. Community and Social Services provided capital for homes for the aged and its lottery-funded research program assisted the study of issues affecting the developmentally handicapped, the elderly and the physically disabled.

Through the Ontario Trillium Foundation, province-wide social service organizations shared $15 million in lottery profits during 1986/87. To date, total grants and pledges approved by the foundation amount to $68.9 million to 67 charity groups. This sum has directly or indirectly assisted more than 2,800 local branches and member groups around the province.

Recipients include the United Way, the Ontario Lung Association, Big Brothers, Big Sisters, the Arthritis Society, Epilepsy Ontario and the list goes on. These grants have furthered the work of over 120,000 volunteers who dedicated their time and effort on behalf of over one million people.

Lotteries
to Soo
North
SAULT STE. MARIE
SOO LOCKS
ONTARIO CANADA
1912

S A U L T S T E. M A R I E

Top photo:
Sault Ste. Marie's Algoma Steel produces a full range of steel products and is the city's largest employer.

Bottom photo:
Mr. Bon Soo welcomes all to the Ontario Winter Carnival. With over 100 events, Bon Soo is one of Canada's largest winter carnivals.

The Ontario Lottery Corporation has yet to move to Sault Ste. Marie, but already the impact is being felt. Sault businesses are getting directly involved in the project. Sault residents are working as corporate trainees and the community is preparing for the arrival of what will be one of the city's most visible businesses.

Our move, announced by Ontario Premier David Perterson July 8, 1986, is part of the provincial government's Northern Ontario Relocation Program (NORP), designed to diversify the north's resource-based economy.

OLC's northern home will be part of a new government complex located right in the heart of the Sault's waterfront, which is undergoing extensive government-assisted redevelopment.

Plans are moving ahead for construction of the 27,870 square metre government complex. The Sault architectural firm Gugula/Smedley/Mezzomo is designing the facility which will house OLC and relocated staff from the Ministry of Natural Resources Forest Resources Group and the Ministry of the Solicitor General Forensic Science lab.

Tenders for construction should be announced late in 1987 with building likely to start in early 1988. The facility should be ready for occupation in late 1989 or early 1990.

Moving the Ontario Lottery Corporation will, in a variety of ways, have a noticeable effect on business life in the Sault.

Our annual payroll should directly inject some $7 million into the economy which will translate into goods and services such as houses, cars and clothing.

Purchasing will be co-ordinated through our Sault Ste. Marie headquarters, offering Northern Ontario firms a chance to become involved in providing a variety of goods and services.

The sophisticated communication lines that will link our computers to the rest of the province will introduce state-of-the-art technology to the Sault and this, it is hoped, could attract other hi-tech firms to northwestern Ontario.

The Corporation is committed to moving as much of its operations as possible to the Sault. Initially about 180 jobs will move from our marketing, sales and distribution, operations, corporate communications and computer services divisions.

We will open a second prize office and a new data centre in the Sault. We will still maintain a major prize office in Toronto as well as a backup data centre.

In preparation for the move, we are recruiting key staff in Sault Ste. Marie who will move to Toronto for training and transfer once relocation takes place. In co-operation with Sault College and Algoma University we have established trainee positions for computer science graduates. This program offers two major benefits: jobs for Sault residents and the assurance of trained computer staff before, during and after the move.

To ensure a smooth relocation with little impact on Ontario's lottery players and OLC staff, extensive relocation plans are being formulated. Employees who move and those who are unable to relocate will be treated as fairly and equitably as possible.

The Ontario Lottery Corporation is proud to be part of the revitalization of Northern Ontario and we look forward to the day we can call Sault Ste. Marie home.

Photo left:
OLC's new headquarters will be located in the heart of the Sault's waterfront, shown here from a bird's eye view.

EXPLANATION OF FINANCIAL PERFORMANCE

In the 1986/87 fiscal year, the Corporation recorded gross sales of $1.337 billion, $329 million more than the previous year.

This sales increase created a rise in net profits to $458.7 million which was turned over to the Ontario government for use in various grant programs.

Prizes reached $673.8 million, representing 50.4 per cent of gross sales. Prizes ranged from free tickets to $11 million.

Unclaimed prize money at $45.7 million was up $3.8 million from last year. For financial reporting purposes, all unclaimed prize money is combined under the heading "prize money unclaimed".

Of this amount, $17.4 million is for draws less than one month old and $15.7 million for draws one to 12 months old. Only $12.6 million is from draws over 12 months old which have actually expired. These funds are available for bonus prizes.

Commissions provided important income for some 11,500 ticket retailers and 47 independent distributors this year. At $100.2 million, commissions rose $24.8 million in fiscal 1986/87 because of increased sales.

Retailers receive a commission of eight per cent for selling Wintario and Instant tickets and five per cent for other games. Prize redemption fees are also paid. Distributors receive one per cent commission on Instant tickets, an average of 2.5 per cent on Wintario, Provincial and Super Lotto and a weekly service fee of $3 per terminal for delivering supplies to on-line lottery terminals in their territory.

Operating costs of $109.9 million, which comprises advertising, administration and equipment plus the payment to the federal government, represented 8.2 per cent of gross sales. Interest income reduced this to 7.8 per cent.

The payment of $26.3 million to the federal government, under two separate federal-provincial agreements, was only slightly higher than the previous year.

The first agreement signed in 1979 saw the federal government agree to withdraw from the lottery field in return for quarterly payments from the provinces. Ontario's share for the fiscal year was $14.1 million.

In the second federal-provincial agreement reached in 1985, the federal government agreed to stay out of the gaming and betting field. For this, the provinces agreed to provide an additional $100 million to the federal government in three equal annual instalments. Ontario's share of this payment was $12.2 million.

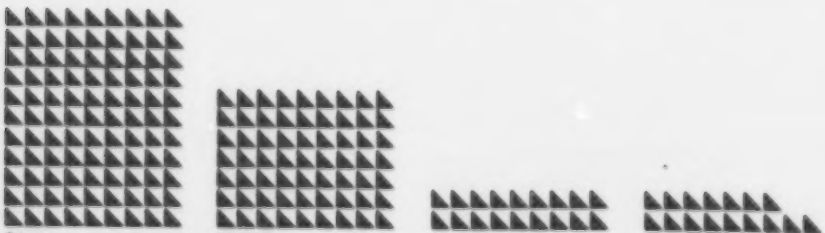
The Corporation's board of directors were paid a total of $20,463 in per diems in the year for attending formal business meetings.

Sales Year Ending March 31, 1987 ($MILLIONS)

	CASH SALES	FREE TICKETS	TOTAL
Wintario	123	48	171
Lottario	161	–	161
Instant	255	28	283
Provincial	47	–	47
Super Lotto	34	6	40
Lotto 6/49	634	–	634
	1,254	82	1,336

DISTRIBUTION OF SALES **1986/87**

Gross Sales 100.0%



Prizes 50.4%

Net profit 34.3%

Operating expenses 7.8%

Commissions 7.5%

Ontario Lottery Corporation

B A L A N C E S H E E T

as at March 31, 1987

	1987 ($000's)	1986 ($000's)
Assets		
Current Assets		
Cash	20,285	32,277
Prize funds on deposit	45,708	41,856
Due from Interprovincial Lottery Corporation	7,282	3,019
Accrued interest	450	800
Accounts receivable	2,285	8,260
Prepaid expenses	518	38
	76,528	86,250
Liabilities		
Current Liabilities		
Prize money unclaimed	45,708	41,856
Net profits due to Treasurer of Ontario	1,570	7,834
Accounts payable and accrued liabilities	11,087	19,950
Due to Government of Canada (note 4)	3,000	3,000
Deferred income	15,163	13,610
	76,528	86,250

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

Ontario Lottery Corporation

STATEMENT OF NET PROFITS DUE TO TREASURER OF ONTARIO

for the year ended March 31, 1987

	1987 ($000's)	1986 ($000's)
Balance, beginning of year	7,834	4,137
Net profits	458,736	320,697
	466,570	324,834
Less payments to Treasurer of Ontario (note 3)	465,000	317,000
Balance, end of year	1,570	7,834

See accompanying notes to financial statements.

Ontario Lottery Corporation

STATEMENT OF OPERATIONS

for the year ended March 31, 1987

	1987 ($000's)	1986 ($000's)
Sales		
Cash ticket sales	1,254,438	946,449
Free tickets	82,385	61,381
	1,336,823	1,007,830
Prizes and Commissions		
Prizes (note 2)	591,388	449,584
Free tickets	82,385	61,381
Commissions - retailers and distributors	100,158	75,399
	773,931	586,364
Sales Less Prizes and Commissions	562,892	421,466
Operating Expenses		
Administration and other expenses	29,621	24,557
Advertising	18,970	20,684
Equipment	18,850	24,517
Payments to Government of Canada (note 4)	26,294	25,666
Ticket printing	16,189	11,755
	109,924	107,179
Operating income	452,968	314,287
Interest income	5,768	6,410
Net profits	458,736	320,697

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

March 31, 1987

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The Corporation's financial statements are prepared in accordance with generally accepted accounting principles except for fixed assets which are written off to operations at the time of acquisition.

(b) Deferred income

Revenues related to ticket sales where a draw has not taken place as of March 31 are deferred.

2. INTERPROVINCIAL LOTTERY CORPORATION

The Provincial, Super Loto and Lotto 6/49 lotteries are joint undertakings by all Provinces acting through the Interprovincial Lottery Corporation (ILC), a company whose shares are held by Her Majesty the Queen in right of the Provinces. Ontario Lottery Corporation is the regional marketing organization for these games in Ontario. The Corporation purchases tickets for the three games from ILC and manages their sale throughout the Province.

Prizes for these games are composed of Ontario's proportional shares of prizes based on the number of tickets sold and Ontario's proportional share of ILC's net operating expenses. The Corporation's share of these net operating expenses amounted to $3 million.

3. PAYMENTS TO TREASURER OF ONTARIO

Pursuant to section 9 of the Ontario Lottery Corporation Act, the net profits of the Corporation are payable to the Treasurer of Ontario. During the year payments were as follows:

	1987 ($000's)	1986 ($000's)
Lotto 6/49	269,000	155,000
Instant	93,000	57,000
Lottario	57,000	59,000
Wintario	19,000	20,000
Provincial	17,000	14,000
Super Loto	10,000	12,000
	465,000	317,000

4. PAYMENTS TO GOVERNMENT OF CANADA

An agreement made in August 1979 between the Government of Canada and the Provinces stipulated that the Government of Canada would withdraw from the sale of lottery tickets effective December 31, 1979. Effective January 1, 1980, the agreement required the Provinces to remit quarterly to the Government of Canada the sum of $6 million, appropriately adjusted to reflect the effects of inflation. The Provinces agreed to share this cost based on a formula which took into account the population and disposable income. Ontario's share of the payment for the fiscal year ended March 31, 1987 amounted to $14.1 million.

On June 3, 1985, a second agreement made between the Government of Canada and the Provinces specified that the Goverment of Canada would refrain from reentering the field of gaming and betting. The agreement required the Provinces to remit to the Government of Canada $100 million to be paid in three equal installments on or before December 31, 1985, 1986 and 1987. The Provinces have agreed to share these payments based on the formula used for the first agreement. Ontario's share of this payment for the fiscal year ended March 31, 1987 was $12.2 million.

5. COMMITMENTS

Operating Leases

The Corporation occupies office space under operating leases expiring over terms varying from three to eight years. The minimum rental payments are as follows:

	($000's)
1987-88	667
1988-89	667
1989-90	667
1990-91	778
1991-92	730
1992-95	2,372

Relocation Costs

On July 8, 1986, the government announced its intention to relocate the majority of the Coroporation's operations to Sault Ste. Marie. The financial effect of this move cannot be reasonably estimated at this time.

6. INCOME TAXES

As a Crown corporation of the Province of Ontario, the Corporation is exempt from income taxes and accordingly no provision is required.

7. COMPARATIVE FIGURES

Comparative figures have been reclassified where necessary to conform with the current year's presentation.

Ontario

Office of the
Provincial
Auditor

To the Board of Directors of the Ontario Lottery Corporation and to the Minister of Tourism and Recreation.

I have examined the balance sheet of the Ontario Lottery Corporation as at March 31, 1987 and the statements of operations and net profits due to Treasurer of Ontario for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1987 and the results of its operations for the year then ended in accordance with the accounting policy described in note 1(a) to the financial statements applied on a basis consistent with that of the preceding year.

D. F. Archer, F.C.A.,
Provincial Auditor.

Toronto, Ontario,
July 31, 1987.